



# Country or Region: Hong Kong

## Report Title: Travel and Tourism

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### Summary

Hong Kong has a significant outbound tourist market. There are four major reasons responsible for this phenomenon: Hong Kong is a crowded city with a population of 6.9 million; Hong Kong people often choose to spend their holidays overseas because lack of holiday resorts; Hong Kong's geographical location, allows for easy access for people to travel abroad; and most importantly, unlike mainland China, the Hong Kong government controls neither its people nor foreign exchange leaving the territory. Due to these factors, Hong Kong residents are traveling abroad in record numbers for business and pleasure.

Hong Kong's economy has faced tough times, experiencing 68 months of deflation starting with the Asian economic crisis in 1998, the 2001 global economic crashed, 9/11 impacts and the SARS outbreaks in 2003, all greatly affecting the number of people from Hong Kong traveling to the U.S. Hong Kong departures to the U.S. decreased a total of -14% from 245,808 in 1996 to 187,119 in 2002, and during the SARS outbreaks of 2003, the total Hong Kong departures to the U.S. decreased to 152,733; a further decline of 18.4%. However, as a result of the rebound of the economy starting in the last quarter of 2003, there was a 21% increase in 2004, with total departures reaching 184,668 from 152,733 in 2003. (See Table "B").

### Market Overview

The Hong Kong outbound travel market started to bloom in the 80's. There are many factors contributing to the growth of the outbound market.

First, the government has introduced measures to ensure the healthy development of the industry with the establishment of the Travel Industry Council of Hong Kong (TIC), a statutory body, in 1988.

Secondly, the Hong Kong people have become more affluent over the past two decades. Although the economy has experienced some problems since 1998, in 2003 the economy rebounded, leading to a strong 2005 GDP per capita of USD 21,000. Over this time, traveling abroad became no longer a luxury activity, but a habit taken for granted by the young generation. This condition is also fueled by the fact that Hong Kong is a small territory with few resorts.

Thirdly, the Hong Kong Employment Ordinance stipulates employment-related benefits and entitlements including statutory holidays and annual leave. There are 17 days of statutory holidays and a minimum of 7 days to a maximum of 14 days of annual leave each year. Nonetheless, individual employment contracts offer better leave terms to employees. Generally, annual leave in the private sector ranges from 14 days to 21 days, all this allowing for more leisure time for people to travel abroad.

STATISTICS:

**A. Hong Kong Resident Departures by Destination**

Destination	2005	% Share
The Americas	348,384	0.5
U.S.A	205,117	0.3
Canada	142,495	0.2
S. & C. America	772	*
Europe & The Middle East	416,908	0.6
United Kingdom	238,040	0.3
Germany	35,114	*
France	45,316	0.1
Italy	12,620	*
Switzerland	13,319	*
Europe Other	44,657	0.1
Middle East	27,868	*
Australia & New Zealand	254,229	0.4
Australia	224,236	0.3
New Zealand	29,993	*
North Asia	811,968	1.1
Japan	578,140	0.8
South Korea	233,828	0.3
South & Southeast Asia	1,608,039	2.2
Indonesia	91,069	0.1
Malaysia	196,793	0.3
Philippines	229,354	0.3
Singapore	367,456	0.5
Thailand	615,075	0.9
Pakistan/India/Sri Lanka	45,579	0.1
Others	62,713	0.1
Taiwan	555,307	0.8
All Others	57,801	0.1
Highseas (To no where)	904,257	1.3
SUB-TOTAL	4,956,893	6.9

Mainland China	62,671,799	86.7
Macau	3,842,342	5.3
Not Identified	722	*
Automated Passenger Clearance	828,141	NA
Grand Total	72,299,897	100%

\* Less than 0.1 percent

Source: Hong Kong Immigration Department

## B) Hong Kong Resident Departures to the U.S. 1996 -- 2005

Year	Total #	Annual Growth
1996	245,808	+ 4.9 %
1997	226,740	- 7.8%
1998	221,196	- 2.4%
1999	219,114	- 0.9%
2001	218,175	+ 0.3%
2002	187,119	-14.0%
2003	152,733	-18.4%
2004	184,668	+20.9%
2005	205,117	+ 4.9%

Source: Hong Kong Immigration Department

## Market Trends

In 2005, more than 50% percent of the visitors from Hong Kong to the U.S. were FIT (for individual travel), 15% percent joined prepaid package tours, and the rest were business and VRF (visiting relatives and friends).

According to the Hong Kong Government, the outbound flight market breaks down into 73 percent short haul and 27 percent long haul. Short-haul travel covers destinations in Southeast Asia: Japan, Taiwan, Thailand, Korea and mainland China. Long-haul travel refers to Europe, Australia, New Zealand, U.S.A, Canada, Africa, and the Middle East. Figures show that Hong Kong people prefer to join package tours, particularly first-time travelers and those on trips to new destinations. Travelers visiting a region for the first time want to see as many places as possible and cover multiple-destinations in one trip. Package tours offer precisely that: a packed itinerary covering several destinations.

After people have some experience traveling abroad, they will tend to travel on their own and design their own itinerary. These travelers take a more leisurely pace in their travel and stay longer at each destination. Travel agents realizing this growing trend have launched price competitive packages just covering air tickets and hotels. In the last three years, numerous big travel companies have organized Meeting & Incentive Convention Event (MICE) tours for Hong Kong and China corporations.

Hong Kong travelers usually spend public holidays such as Chinese New Year, Easter, and Christmas overseas because the average worker only has around 10-14 days of annual leave. The traveling season usually centers around these festive holidays and summer holidays. The summer months of Jun, July, and August usually account for 30 percent of outbound travelers to the U.S. Note: the package tours to the U.S. normally include Canada.

As the outbound market has been growing rapidly for two decades, the existing routes are becoming mature and losing attractiveness. People in the industry indicated that the only way to lure new customers is to make products more innovative and to develop new routes. In recent years, some novel routes for the Mediterranean area, the Middle East, South Africa and Eastern Europe have been very successful.

## Competition

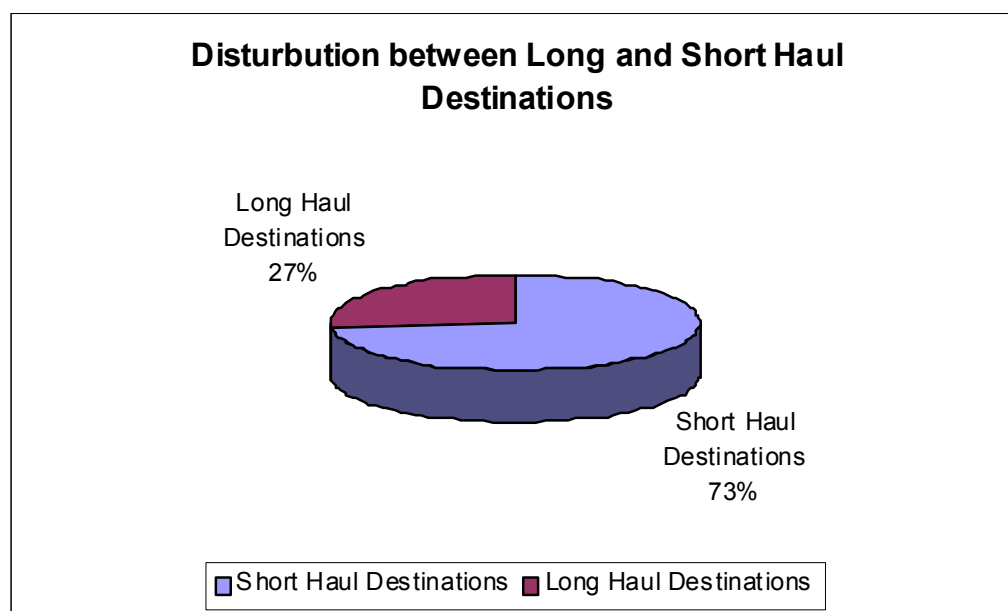
### Short Haul vs Long Haul

China is a major short haul destination for Hong Kong residents with over 62 million departures in 2005. Although business travelers account for a major portion of this number, Hong Kong visitors enjoy visiting China for recreational activities such as golfing, dining, shopping and family visiting. The China Travel Service Ltd., Morningstar and Wing On Travel are major players in the outbound market for China.

Other favor short haul destinations such as Taiwan, Japan and Thailand are also popular vacation spots for Hong Kong travelers. In 2005, the number of Hong Kong travelers to Taiwan reached 555,307, Thailand 615,075, and Japan 578,140. In addition to the sun and beach that countries in South East Asia can offer, they are also one of the premium shopping destinations for Hong Kong visitors, and competitive prices are often offered. For instance, during low travel season discounts for a 3 night, 4 day inclusive packages under US\$300 exist (airfare plus accommodation). Southeast Asia has experienced a 2.2% growth in 2005, greater than any other region for Hong Kong travelers.

The United Kingdom is the number one long haul destination for Hong Kong travelers, followed by Australia and the United States. Europe has always been a popular destination for both sightseeing and shopping, and visitors can travel to more than one country at once. In addition, Hong Kong SAR passport holders enjoy visa-free status to enter to European Commission countries. According to a travel agent, it has become popular for Hong Kong visitors to take a 5-day shopping trip to cities such as Paris and London. Other popular long haul destinations are Australia and South Africa. To facilitate travel to Australia, the Australian Consulate of Hong Kong has simplified the visa application process, accepting visa applications from the public and allowing appointed travel agents in Hong Kong to process visa applications on its behalf.

There are many carriers with non-stop and direct flights between Hong Kong and the U.S: United, Northwest, Continental, China, Singapore, Air Canada, ANA, JAL, and Cathay Pacific. Travel agencies such as Charming Holiday Ltd., Jetour Holiday Ltd., S.K.Y. Travel, Wing On Travel and P & O Travel Ltd. specialize in long haul travel.



## End Users

Hong Kong travelers are separated into three groups: young independent travelers, single working adults, and independent families. Usually, young independent travelers are between 18-25 years old, single and live with their family. This group of travelers usually travels with friends and colleagues to seek fun, excitement and shopping destinations that offer 18-hour a-day outdoor activities. They are likely to stay in hostels and budget hotels. Independent workers, between 25-35 years of age, usually travel to short-haul destinations around long weekends and on one long haul trip in a year. These people usually earn a good living and go overseas to get away from the high stress environment of Hong Kong and are willing to explore new destinations. Their main interests would be historical, culture, and life-enriching experiences that will allow them to enjoy the beauty of nature.

Families with children aged 3-15 tend to take independent holidays on group tours. The long haul holiday usually would be taken in the summer lasting 10-14 days. These families usually considered visiting famous sights and relatives abroad, shopping, theme parks and museums. Studying tours for teenagers are becoming very popular in summer as well.

The end users usually based their purchasing decision on two factors:

**Economic:** when the economy is in a downturn, Hong Kong people will opt for short haul travel instead of long haul travel. Yet overall, tourism growth will not be affected.

**Price:** Hong Kong tourists are quite sensitive to price. A discount in airfare or package tour prices will usually raise the number of outbound tourists.

## Market Access

There are over 1,000 travel agents in Hong Kong. For the outbound market, these travel agents offer two lines of service: package tours and direct ticketing. Out of the 1,000 travel agents, only about 20 offer retail package tours and only 10 of these retailers are significant enough to be tour operators. The remaining 10 retailers and other ticketing agents serve as brokers for the wholesalers of package tours. Ticketing agents mainly serve FIT tourists. They can offer competitive hotel and airline prices. An industry representative commented that the outbound market is dominated by a small number of key players that act as both wholesalers and retailers. In other words, American travel product suppliers have a very concentrated contact point for the Hong Kong market. Prominent retailers in Hong Kong include Miramar Hotel & Investment (Express) Ltd., Morning Star Travel Service Ltd., Hong Thai, Citizens Travel Services Ltd., Wing On and Evergross, etc.

## Market Entry

In planning a holiday to the U.S., Hong Kong visitors gather information from travel agents, read brochures and travel literature, and talk to friends or relatives whom have visited the U.S. Often, people learn new destinations from the media, such as travel articles in newspaper and magazines, and television programs that produce stories on overseas new travel destination.

Visit USA Committee Hong Kong (VUSCHK) is a non-profit organization promoting travel and tourism from Hong Kong to the United States. This committee aims to increase the awareness of the United States as one of Hong Kong's tourism, business and education destinations. The VUSCHK offers a number of programs and services to include: delegations to Pow Wows, USA training seminars, FAM Trips, Trade Missions, and quarterly newsletters. Membership is open to all professional organizations and individuals with an interest in promoting travel to the United States. U.S. companies in the travel/tourism sector who would like to become a member of VUSCHK should contact US Commercial Service at email: [hong.kong.office.box@mail.doc.gov](mailto:hong.kong.office.box@mail.doc.gov)

## For More Information

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